

January 20, 2005

Honorable Arnold Schwarzenegger
Governor of California
State Capitol, First Floor
Sacramento, CA 95814

Dear Governor Schwarzenegger:

I appreciated the opportunity to talk with you today about how we can work together to solve the California budget shortfall. During our discussion you asked for specific examples of additional federal funds that we should work to obtain for California.

As you know, President Bush's FY 2006 Budget will not be released until February 7, 2005. When it is released, we will immediately, together with the California Democratic Congressional Delegation, analyze the President's Budget to determine areas where California may successfully lobby for additional funding and/or where we can fight to preserve cuts in programs that are vital to California. We will present that analysis to you as soon as possible.

We anticipate that we will want to explore many of the funding avenues that were identified in the thoughtful "roadmap" letter sent to you by California Democratic Congressional Delegation Chair Zoe Lofgren and Representative George Miller on October 15, 2003 and an additional "triptik" sent by all 33 of California's Democratic Members of Congress on February 26, 2004. Copies of the "roadmap" and "triptik" (hereinafter referenced collectively as "roadmaps") are attached hereto. The "roadmaps" are excellent guides to use as we begin our journey to insure federal funding equity.

The "roadmaps" identify a number of federal programs that are underfunded, in comparison to their authorized level, and where lobbying for increased funding could inure to the substantial benefit of California. One such program is SCAAP, the State Criminal Alien Assistance Program, which reimburses states for the incarceration of undocumented immigrant felons. The overall SCAAP appropriation and California's resultant share has substantially decreased in the past few years. In FY 2000 the total SCAAP appropriation was \$585 million and California's share was \$240.8 million. In FY 2004 the total SCAAP appropriation was \$297 million and California's share was \$120 million. Under the current federal law the program should be funded at nearly \$800 million. So, if we could work with our Congressional Delegation and with those of other similarly situated states, we might be able to get SCAAP fully funded, which would more than double California's current share. If this funding level was realized, the increase would nearly pay for the total decrease in CalWORKs COLAs, as proposed in your 2005-2006 Budget Proposal.

The "roadmaps" also identify some programs that are underfunded or unfunded mandates -- laws where the federal government has deemed that states must implement certain programs, but does not provide adequate funding for implementation. One such program is "No Child Left Behind (NCLB)." Since NCLB was enacted it has been underfunded by approximately 21.7%.

The "roadmaps" also identify federal spending cuts that can harm the commerce and safety of Californians, even if they don't directly impact our state general fund. The FY 2005 Omnibus

Spending Bill cut 63% in federal funding for port security. As you know, earlier this week, a crane operator at the Port of Los Angeles discovered 32 Chinese immigrants escaping from two cargo containers that arrived via ship to the Port. The Port of Los Angeles is the 1st busiest port in the United States and 7th busiest in the world. This vital economic center cannot operate without adequate security and endangers the safety of Californians, by being an unchecked point of entry to those who may mean harm to our state and/or country.

We realize that federal money isn't the panacea to all that ails California. However, it is incumbent on California's elected officials to insure that we secure our fair share of federal funding or at a minimum increase our state's take upward. It is simply wrong to permit Washington, D.C. to continue to allow other states to benefit at the expense of the taxpayers of California.

When we suggest that you should use your popularity and presence to lobby the President and Congress for additional funds, we do so because we believe that the confluence of circumstances provides a unique opportunity to change California's status as a donor state or to at least better our status. Never before have six powerful House Committees been chaired by California Members of Congress -- including the big three of Appropriations, Ways and Means and Rules. Surely, these important Members will want to use their positions to benefit their constituents, rather than the citizens of some other state or some partisan interest.

Additionally, it is vital that when we consider cuts in the state budget we insure that we are not throwing away already appropriated federal money by making cuts to programs that generate a federal match. For example, if we cut \$1 in state funds for highway projects, where the funding is 80% federal with a 20% state match, we lose \$4 in federal money. If we cut \$1 from the state budget for MediCal, we will realize a state budget savings of only \$0.50, since we will lose \$0.50 of federal money. For every \$1 we appear to cut from the state budget for SCHIP (known as Healthy Families in California), we will only enjoy an actual state savings of \$0.35, since we will lose \$0.65 of federal funding. Such cuts in state funds would be penny-wise and pound-foolish.

We also harm our citizens by allowing already appropriated federal money to revert to the federal treasury for redistribution to other states. As you know, if we don't spend our full allotment of federal funds for certain programs, as has happened in The Healthy Families/SCHIP program, we may be penalized in subsequent years by losing all or part of our future money for such a program or having to refund the unspent money. Any such refunded money or reduction in California's share of future appropriations enriches the citizens of other states at the expense of Californians.

We have a unique opportunity to try to reverse the trend and boost California's return on the dollars that our taxpayers send to the federal government. While we can't ensure that we will receive any increase, we know that we won't realize any additional funds unless we ask for them and follow up the request with a lot of personal effort.

I look forward to working with you in the days ahead to ensure that collectively we do all we can to secure California's fair share of federal funds and that we craft a state budget that is fair and equitable to all Californians.

Sincerely,
FABIAN NUÑEZ
Speaker of the Assembly